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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/728,488	12/05/2003	Marc S. Warren	3321A	9743

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David M. Warren
655 Oakland Ave.
Cedarhurst, NY 11516

EXAMINER	
JOHNSON, GREGORY L	

ART UNIT	PAPER NUMBER
3691	

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Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No.	Applicant(s)	
	10/728,488	WARREN, MARC S.	
	Examiner	Art Unit	
	GREGORY JOHNSON	3691	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE *3* MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *23 September 2008*.

2a)☒ This action is **FINAL**. 2b)☐ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-7 and 9-12* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-7 and 9-12* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

1. This communication is in response to the Request for Continued Examination filed on May 20, 2008.

Status of Claims

2. Claims 1 and 9-11 have been amended. Claims 2-7 are original. Claim 8 is cancelled. Claim 12 is new. Claims 1-7 and 9-12 are pending.

Response to Arguments

3. Applicant's arguments filed September 23, 2008 have been fully considered but they are not persuasive.

Applicant argues (pages 6-10) the 35 U.S.C. 101 rejections applied to claims 1-7 and 9-12. Applicant also argues that the type of subject matter disclosed in the present claims has been found to be statutory in previously issued United States patents. Applicant provided four examples: Sugahara (US 7310616), Musmanno (US 5826243), Danvers (US 6044352), and Stallaert (US 6035287).

Response: Based on Supreme Court precedent and *recent* Federal Circuit decisions, a proper process *must be tied to another statutory class* or transform underlying subject matter to a different state or thing (*Diamond v. Diehr,* 450 U.S. 175, 184 (1981); *Parker* v. *Flook,* 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson,* 409 U.S. *63,* 70 (1972); *Cochrane* v. *Deener,* 94 U.S. 780,787-88 (1876)). In the instant

case, neither requirement is met. Therefore, the claims are deemed to be directed to nonstatutory subject matter.

In regards to the example patents, the Applicant ignores the fact that statutory subject matter has evolved aver the years based on court decisions. As stated in hte previous paragraph above, a proper process *must be tied to another statutory class* or transform underlying subject matter to a different state or thing (*Diamond v. Diehr,* 450 U.S. 175, 184 (1981); *Parker* v. *Flook,* 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson,* 409 U.S. *63,* 70 (1972); *Cochrane* v. *Deener,* 94 U.S. 780,787-88 (1876)). This standard applies to cases currently being prosecuted including the instant application. Pointing out claims in Patents that were issued under different statutory requirements that no longer apply is not persuasive.

Base on the failure of the instant case to met the above requirement, the § 101 rejection is maintained.

Applicant also argues (pages 11-15) the § 103(a) rejection of claims 1-7 and 9-12. In particular, Applicant argues that (page 14) “There is no mention, suggestion, or teaching by Wohlstadter of the division of the set of rights embodied in a security into one or more of the rights, representing a fraction or portion of the rights embodied by the security, followed by the establishment of a market in the "fractional rights" (a term used in the present specification).”

Response: Applicant also states (page 14) “Thus, Wohlstadter acknowledges that a share of a security can be composed of a plurality of rights, and that one might choose one or more of the plurality of rights to serve as the benefit.” Wohlstadter also

discloses a "computerized exchange" where the shares (including the plurality of rights) are traded (Fig. 3). In view of this, the rejections are maintained.

Claim Rejections - 35 USC § 101

4. 35 U.S.C. 101 reads as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-7 and 9-12 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The independent claims 1 and 12 recite a process comprising the steps of acquiring, dividing and establishing. Based on Supreme Court precedent, a proper process must be tied to another statutory class or transform underlying subject matter to a different state or thing (*Diamond v. Diehr,* 450 U.S. 175, 184 (1981); *Parker* v. *Flook,* 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson,* 409 U.S. *63,* 70 (1972); *Cochrane* v. *Deener,* 94 U.S. 780,787-88 (1876)). Since neither of these requirements is met by the claims, the method is not considered a patent eligible process under 35 U.S.C. 101. To qualify as a statutory process, the claim should positively recite the other statutory class to which it is tied to, for example by *identifying the apparatus that performs the method steps (i.e. acquiring, dividing and establishing)* or positively reciting the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

Claims 2-7 and 9-11 are rejected to because of their dependency on claim 1.

Claim Rejections - 35 USC § 103

5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

6. The factual inquiries set forth in *Graham* **v.** *John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

7. Claims 1-4 and 12 are rejected under 35 U.S.C. 103(a) as being unpatentable over Wohlstadter, Pub. No. 2002/0198833 (hereinafter Wohlstadter), in view of Chaganti, Pub. No. 20050080705 (hereinafter Chaganti), Brisbois, Pub. No. 2004/0267647 (hereinafter Brisbois), Tripp, Pub. No. 2007/0027787 (hereinafter Tripp) and Barron's Dictionary of Finance and Investment Terms (hereinafter Barron).

As to claims 1 and 12, Wohlstadter discloses the following elements:

- A method for managing the assets of holders of rights in a property (e.g. securities; Abstract and ¶0041 and ¶0044), comprising the steps of:
- wherein each of the shares constitutes a set of rights (e.g. ownership rights such as full or partial; ¶0044 and ¶0095),

- wherein an individual one of the rights in the set of rights is a different kind of right from another one of the rights in the set of rights, there being at least two different kinds of rights in the set of rights, said individual right comprising at least one of an equity right, a non-equity right, a right to receive a dividend or portion of the dividend, a right to receive an interest payment or portion thereof, a right to receive rent, a right to real property, a right to a warrant, a right to a stock split, a right to conversion between classes of securities, a residual right, a voting right, a right to receive capital appreciation (e.g. partial ownership rights in a security can be interpreted as an equity right and the voting right interpreted as a non-equity right; ¶0041, ¶0044 and ¶0095),
- dividing the set of rights into portions, each of the portions having at least one of the rights (e.g. partial ownership rights in a security and the voting right; ¶0041, ¶0044 and ¶0095),
- wherein a kind of right that is present in a first of the portions is absent in a second of the portions (e.g. partial ownership rights in a security and the voting right; ¶0041, ¶0044 and ¶0095); and
- establishing a market in the portions, wherein in said market, there is a selling of the portions to investors and a repurchasing of the portions from the investors, said repurchasing enabling a holder of one of said portions to regain a divided-out right from one of said investors (¶0008-0012).

Wohlstadter does not disclose the following limitation:

- acquiring shares of ownership in a property represented by a security and issued by a business enterprise, the shares of ownership being acquired by an administrator.

However, Brisbois teaches a method in which capital market products such as bonds, equities and the like, employing a life settlement policy as collateral (e.g. the property) against repayment of principle. Brisbois teaches that a bond issuer (e.g. the business enterprise) uses the policy options to obtain a firm, written commitment from the underwriter (e.g. administrator) to purchase the inventive life settlement bond issue (e.g. shares; Abstract and ¶0059). It would have been obvious to one of ordinary skill in the art at the time of Applicant's invention to include in the securities exchange system of Wohlstadter, the methods of issuing, servicing and redeeming capital market products such as bonds and equities as taught by Brisbois, since the claimed invention is merely a combination of old elements, and in the combination each element merely would have performed the same function as it did separately, and one of ordinary skill in that art would have recognized that the results of the combination were predictable. See MPEP 2143 (Rev. 6, Sept 2007).

Wohlstadter also does not disclose the following limitations

- dividing the set of rights into portions by the administrator; and
- establishing a market in the portions by the administrator.

However, Tripp teaches a data processing method for introducing an asset-backed fixed-income security, in which an accrued interest in the form of Accrual Rights is stripped off (e.g. dividing out rights) from a certificate (e.g. financial instrument). Tripp

also teaches the creation of a market where the Accrual Rights are sold. It would have been obvious to one of ordinary skill in the art at the time of Applicant's invention to include in the securities exchange system of Wohlstadter, the method of stripping off rights and creating a market where they can be sold as taught by Tripp, since the claimed invention is merely a combination of old elements, and in the combination each element merely would have performed the same function as it did separately, and one of ordinary skill in that art would have recognized that the results of the combination were predictable. See MPEP 2143 (Rev. 6, Sept 2007).

Wohlstadter also does not disclose the following element:

- wherein one or more of said rights may have a time limitation;

Chaganti teaches a method and system for selling shares in tangible and intangible property over the internet. Chaganti also teaches that the system could also sell, for example, the rights to the future earning of an intangible (e.g. right to collect for patent infringement). Chaganti future teaches that there could be a temporal aspect to most of the rights (i.e. some rights can be sold with a time limitation on them; Abstract and ¶ 0003, 0006 and 0025-0026). It would have been obvious to one of ordinary skill in the art at the time of Applicant's invention to include in the securities exchange system of Wohlstadter, the temporal aspect on rights as taught in the trading property system of Chaganti since the claimed invention is merely a combination of old elements, and in the combination each element merely would have performed the same function as it did separately, and one of ordinary skill in that art would have recognized that the results of the combination were predictable.

Wohlstadter also fails to disclose the following element:

- a repurchasing of the portions from the investors, said repurchasing enabling a holder of one of said portions to regain a divided-out right from one of said investors.

Barron teaches a method for a share repurchase plan and a stock buyback process. It would have been obvious to one of ordinary skill in the art at the time of Applicant's invention to include in the securities exchange system of Wohlstadter, the method of a share repurchase or stock buyback as taught by Barron, since the claimed invention is merely a combination of old elements, and in the combination each element merely would have performed the same function as it did separately, and one of ordinary skill in that art would have recognized that the results of the combination were predictable. It would also have been obvious to one of ordinary skill in the art at the time of Applicant's invention to substitute shares with rights, since the claimed invention is simply a substitution of one known element for another, and one of ordinary skill in that art would have recognized that the results of the substitution were predictable. See MPEP 2143 (Rev. 6, Sept 2007).

As to claim 2, Wohlstadter discloses the following element:

- one of the portions is an equity portion with an equity right and at least another one of the portions is a non-equity portion with a non-equity right that is stripped off from an equity portion (e.g. partial ownership rights in a

security can be interpreted as an equity right and the voting right interpreted as a non-equity right; ¶ 0041, 0044 and 0095).

However, Wohlstadter fails to disclose the following element:

- wherein said repurchasing enables a holder of an equity portion to regain a non-equity right from one of said investors.

Barron teaches a method for a share repurchase plan and a stock buyback process. It would have been obvious to one of ordinary skill in the art at the time of Applicant's invention to include in the securities exchange system of Wohlstadter, the method of a share repurchase or stock buyback as taught by Barron, since the claimed invention is merely a combination of old elements, and in the combination each element merely would have performed the same function as it did separately, and one of ordinary skill in that art would have recognized that the results of the combination were predictable. It would also have been obvious to one of ordinary skill in the art at the time of Applicant's invention to substitute shares with rights, since the claimed invention is simply a substitution of one known element for another, and one of ordinary skill in that art would have recognized that the results of the substitution were predictable. See MPEP 2143 (Rev. 6, Sept 2007).

As to claims 3 and 4, Wohlstadter discloses a voting right (i.e. non-equity right; ¶ 0041, 0044 and 0095), however Wohlstadter fails to disclose the following elements:

- designating a limited duration of time of a fractional right in one of said portions; and

- said limited duration of time of a fractional right is in a non-equity portion

However, Chaganti teaches a method and system where rights can be sold that have a temporal aspect to them (i.e. some rights can be sold with a time limitation on them; Abstract and ¶ 0003, 0006 and 0025-0026). It would have been obvious to one of ordinary skill in the art at the time of Applicant's invention to include in the securities exchange system of Wohlstadter, the temporal aspect on rights as taught in the trading property system of Chaganti since the claimed invention is merely a combination of old elements, and in the combination each element merely would have performed the same function as it did separately, and one of ordinary skill in that art would have recognized that the results of the combination were predictable.

8. Claims 5-7 and 11 are rejected under 35 U.S.C. 103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp and Barron as applied to claims 1 and 4 above, and further in view of Sugahara, Pat. No. 7,310,616 (hereinafter Sugahara).

As to claim 5-7, Wohlstadter discloses that an issuing entity (e.g. holder of equity portion) can sell partial ownership rights in a security and/or sell voting rights (e.g. divided-out right) associated with the security. However, Wohlstadter fails to disclose the following:

- the holder of the equity portion regains the non-equity right after expiry of said limited duration of time;

- designating a limited duration of time (e.g. expiration date and/or time) of a fractional right (i.e. non-equity right) in one of said portions; and
- the holder of said one portion (i.e. equity portion) regains the divided-out right (i.e. non-equity right) after expiry of said limited duration of time.

However, Sugahara teaches a method for structuring the trading of securities where buyers may have a desire to acquire short exposure to the securities. Sugahara teaches that an agent and lender may agree that lender sell (and then repurchase therefrom) a desired number of shares of stock (i.e. securities) to an interested borrower on terms satisfactory to the parties (col. 12, lines 53-64). It would have been obvious to one of ordinary skill in the art at the time of Applicant's invention to include in the securities exchange system of Wohlstadter, the repurchasing feature as taught in the securities trading method of Sugahara since the claimed invention is merely a combination of old elements, and in the combination each element merely would have performed the same function as it did separately, and one of ordinary skill in that art would have recognized that the results of the combination were predictable.

As to claim 11, Wohlstadter discloses the following element:

- wherein each of said portions constitutes a fractional right of the set of rights in a share of ownership in the property (¶ 0044 and 0095).

However, Wohlstadter fails to disclose the following elements:

- said dividing step includes a step of designating a limited duration of time of the fractional rights in said portions sold to investors by the administrator, and
- said repurchasing step enables one of said investors, who is a holder of said one portion, to regain fractional rights from a plurality of said portions sold to other ones of said investors, thereby to obtain complete rights to the share of ownership of said holder.

In regards to these two elements, Applicant should refer to the above examination of claim 3 and then claims 1, 2 and 5 (respectively), where the elements have already been addressed.

9. Claim 9 is rejected under 35 U.S.C. 103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp and Barron as applied to claim 1 above, and further in view of Earle, Pat. No. 5,262,942 (hereinafter Earle).

As to claim 9, Wohlstadter fails to explicitly disclose the following element:

- the administrator accomplishes a further step of disbursing dividends from the property to such ones of the investors who have rights to receive a dividend.

However, Earle teaches that in a financial transaction network a transfer agent system executes all transactions and acts within the financial network for purposes of updating shareholder records and applying dividends to fund shares (Abstract; col. 6,

line 66 thru col. 7, line 5). It would have been obvious to one of ordinary skill in the art at the time of Applicant's invention to include in the securities exchange system of Wohlstadter, the dividends distribution system as taught by Earle since the claimed invention is merely a combination of old elements, and in the combination each element merely would have performed the same function as it did separately, and one of ordinary skill in that art would have recognized that the results of the combination were predictable.

10. Claim 10 is rejected under 35 U.S.C. 103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp and Barron as applied to claim 1 above, and further in view of Wallman, Pat. No. 6,601,044 (hereinafter Wallman).

As to claim 10, Wohlstadter fails to explicitly disclose the following element:

- the administrator accomplishes a further step of transmitting votes to a management of the property from such ones of the investors who have rights to vote on matters relating to management of the property.

However, Wallman teaches a computer-based system for creating a portfolio of assets and executing trades in the assets to modify the portfolio. Wallman teaches that the computer-based system is provides the ability to make adjustments to a portfolio of securities by selling or purchasing securities to modify the portfolio, for monitoring tax effects, for passing through voting rights of the securities and for delegating such rights to third parties at the discretion of the investor, for limiting parameters of portfolios if

desired by the investor or another with authority over the account, and for analyzing investments held by the investor on an integrated, portfolio basis (col. 19 lines 41-61).

It would have been obvious to one of ordinary skill in the art at the time of Applicant's invention to include in the securities exchange system of Wohlstadter, the management of voting rights as taught by Wallman since the claimed invention is merely a combination of old elements, and in the combination each element merely would have performed the same function as it did separately, and one of ordinary skill in that art would have recognized that the results of the combination were predictable.

Conclusion

11. THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to GREGORY JOHNSON whose telephone number is

(571) 272-2025. The examiner can normally be reached on Monday - Friday, 8:30AM - 5:00PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, ALEXANDER KALINOWSKI can be reached on (571) 272-6771. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/Alexander Kalinowski/
Supervisory Patent Examiner, Art Unit 3691

GREGORY JOHNSON
Examiner, Art Unit 3691